Stuart House

Stuart House International Limited

Annual Report

FOR THE YEAR ENDED FEBRUARY 28 1969

STUART HOUSE INTERNATIONAL LIMITED

Maritimes Div. Office	Halifax, N.S.	Lewis Hue, *Manager*
Eastern Div. Office	Weston, Ont.	Bill Harding, *Manager*
Prairie Div. Office	Winnipeg, Man.	Charlie Hoy, *Manager*
Pacific Div. Office	Vancouver, B.C.	Dick Walker, *Manager*

SUBSIDIARY COMPANIES

Belt Manufacturing Company of Canada Limited	Weston, Ontario
Bradford-Penn Oil Limited	Toronto, Ontario
Stuart House Products Limited	Toronto, Ontario
Stuart House Products Inc.	Fort Myers, Florida
Tip-Top Canners Limited	Burlington, Ontario
West, Taylor, Bickle & Company Ltd.	Norwich, Ontario

Stuart House

STUART HOUSE INTERNATIONAL LIMITED

66 RIVALDA ROAD · WESTON · ONTARIO · CANADA

TO OUR SHAREHOLDERS:

As reprinted from the Globe and Mail Business Section dated June 17, 1969.

NEW DIRECTORS FOR STUART HOUSE ELECTED AT ANNUAL MEETING

W. (BLAIR) COULTER

JOHN GRIMBA

At the Annual Meeting of the Shareholders of Stuart House International Limited, held at the offices of the company; 77 Rivalda Road, Weston, Ontario, on Tuesday, June 10th, 1969, Messrs. W. (Blair) Coulter and John Grimba were elected directors of the company. Blair Coulter is General Sales Manager of Stuart House International Limited and has been with the company for ten years. John Grimba within the past year was appointed Director of Marketing for Belt Manufacturing Company of Canada Limited; a wholly owned subsidiary of Stuart House International Limited.

REPORT OF ANNUAL SHAREHOLDERS MEETING
STUART HOUSE INTERNATIONAL LIMITED

At the Annual Meeting of Shareholders, John L. Stuart; Vice-President and General Manager of the company announced that S. H. CONSULTANTS LIMITED had now been set up as a subsidiary of Stuart House International Limited and in fact letters patent incorporating this company were issued on April 25, 1969. This company will act solely as consultants on a fee basis, bringing together large investors and those requiring funds for major financing of any kind. Mr. John Grimba; Vice-President and General Manager of S. H. Consultants, advised that applications already processed total eighty-two million dollars and that further applications in excess of one hundred and fifty million dollars were being processed. Mr. Grimba stated that at this early date, he could make no estimate as to the possible earnings for S. H. Consultants Limited.

The audited statements for the Arrco Saxon Companies were also studied and financing plans for this acquisition were discussed. A definite announcement re the financing for these companies will be made shortly.

At the Shareholders Meeting, one of the shareholders did informally move that plans be set in motion to set up a Shareholders Committee, in order to encourage our shareholders to take a greater interest in the affairs of the company. Certainly this idea has the full support of the directors, however any such committee should be set up by the shareholders so needless to say this will have to come about through our shareholders.

At a meeting of the directors of Stuart House International Limited, held at the office of the company on the same day, the regular quarterly dividend of 5¢ per common share was declared to be paid August 1st, 1969, to shareholders of record July 24th, 1969. The regular quarterly dividend of 12¢ per share on the preferred shares was also declared payable on August 1st, 1969 to shareholders of record July 24th.

Stuart House International Limited

DIRECTORS

Manuel Harris	*Chartered Accountant*	Toronto, Ontario
Earl Wiliam Hayne	*Executive*	Toronto, Ontario
John Bernard Joynt	*Management Consultant*	New York, N.Y.
Eric H. Haynes	*Executive*	Toronto, Ontario
Frank T. Sherk	*Executive*	Toronto, Ontario
John Stuart	*Executive*	Nassau, Bahamas
John Lyon Stuart	*Executive*	Islington, Ontario

CHIEF EXECUTIVE OFFICERS

President	John Stuart
Vice-President	John Lyon Stuart
Secretary-Treasurer	Manuel Harris

AUDITORS

Loftus A. Allen & Company . . . . . Toronto, Ontario

BANKERS

The Royal Bank of Canada

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Toronto and Calgary

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in both domestic and export operations.
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3,550 shares of common stock outstanding at
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Saxon Companies, a new issue of preferred
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s presently issued. Our preferred shareholders
nmon for one preferred.

continued . . .

HIGHLIGHTS FROM THE FINANCIAL STATEMENT

	1969	1968
Consolidated Sales	$10,503,051	$10,542,293
Operating Profit	295,379	135,653
Net Profit	192,392	126,472
Cash Flow	267,853	210,598
Shareholders' Equity	1,136,950	970,383
Net Profit per Common Share	31.7¢	20.8¢

THE PRESIDENT'S REPORT

TO OUR SHAREHOLDERS

Your company was formed as John Stuart Sales Company in 1936, so as of February 28th, 1969 we have ended almost thirty-three years of continuous operations. In the year just ended, the six companies that make up STUART HOUSE INTERNATIONAL LIMITED have contributed to record profits in both domestic and export operations.

Dollar sales were just about equal to the previous year, due to our policy of discontinuing certain unprofitable product lines. However, the wisdom of this policy is reflected in our higher profit picture, with net profits up by 53%. Of course, such an increase also reflects the more efficient operations of your company, and the continued development of new products, despite increased costs in most areas.

ACQUISITIONS:

During the past year, we looked at several very fine companies and actually considered merging with two very important Canadian companies, but, as of the end of our year, we had made no changes of any kind. However, since our year-end; February 28th, 1969, your directors have approved an offer to purchase the Arrco Saxon Company and the Arrco Playing Card Company (Canada) Limited, who are substantial manufacturers of playing cards and distributors of light office equipment, stationery and supplies, with sales outlets throughout Canada. The purchase price for the companies, which will be turned over as going concerns, is $2,560,000.00. The transaction is scheduled to be closed in ninety days and is subject to the usual process of examining financial and corporate records, and the approval of the Toronto Stock Exchange.

It is presently aniticipated that the financing for this acquisition will come from a new issue of preferred shares subject to the usual clearances with the Toronto Stock Exchange and the Ontario Securities Commission and the creation of such preferred shares.

Present management and key employees of the Arrco Saxon Companies will continue. These acquisitions will work in nicely with our Belt operations and complement their range of school supplies, stationery and gift lines. The earnings of the companies to be acquired, for the six months ended December 31st, 1968, were approximately $270,000 pre-tax. Estimated earnings for the full year ending June 30, 1969 are $400,000 pre-tax.

The directors also approved the efforts of management as to the possibility of other acquisitions, and we are looking at two other acquisitions at the present time.

At the meeting of your directors too, on April 15th, 1969, they approved the setting up of an Ontario Company to be known as S.H. CONSULTANTS LIMITED. This company will act solely in a consulting capacity, and on a fee basis, in bringing together large investors and those requiring funds for major financing of any kind. At the time of the meeting, S.H. CONSULTANTS LIMITED were prepared to process applications totalling $153,000,000.

EARNINGS:

Operating profits before taxes more than doubled; up 118% at $295,379 as compared with $135,653 for the previous year. Profits, after taxes, were up 53% at $192,392 as compared with $126,472 for the year ended February 29th, 1968. The net earnings per common share, after deduction of preferred dividends, were 31.7¢ as compared with 20.8¢ for the previous year.

CAPITAL STOCK:

There were 12,125 shares of 6% convertible preferred shares and 588,550 shares of common stock outstanding at February 28th, 1969. The original issue of the convertible preferred shares was made in 1964 and totalled 31,250 shares. The difference has come about through conversion and purchase for cancellation by the Company.

Due to our new financing plans, whereby we are to acquire the Arrco Saxon Companies, a new issue of preferred shares will be made, subject to the approval of our shareholders, directors and the Toronto Stock Exchange. In this connection, therefore, we would be redeeming the preferred shares presently issued. Our preferred shareholders can, of course, convert these preferred shares on the basis of two common for one preferred.

continued . . .

DIVIDENDS:

Dividends of 6% on your company's preferred shares have been paid regularly since their issue. Dividends of varying amounts have been paid on your company's common shares each year since their issue, except for the two years ended February 28th, 1969, in which no dividends were paid.

However, and at the meeting of your directors on April 15th, 1969, the regular quarterly dividend of 12¢ per share on the preferred shares was declared payable as of May 1st, 1969, and at the same time a quarterly dividend of 5¢ per share was also declared on the common shares payable May 1st, 1969. On this basis, the common stock dividend for the total year would be 20¢ per share.

EMPLOYEES:

To the employees of the various companies comprising STUART HOUSE, whose number at peak periods totals 400, we express our appreciation for their loyalty, hard work, and dedication in meeting the year's problems, challenges and demands.

MANAGEMENT:

During the past year, one of the Stuart House companies (Belt Manufacturing Company Limited) employed Mr. John Grimba, as Director of Marketing. Mr. Grimba came to us with a vast background of knowledge in the particular field in which Belt Manufacturing Company operates and has added greatly to that company's expansion programme. Through Mr. Grimba too, we have taken on the products of several very important world-wide and well-known companies for exclusive distribution in all of Canada. The products involved are a line of gourmet cookware and pewter giftware being imported from Norway, teak-wood giftware from Sweden; ladies' accessories such as beaded bags, straw bags and handbags from Italy and Hong Kong.

During the year ended February 29th, 1968, we did make many changes and our progress for the year ended February 28th, 1969 certainly speaks well for the efforts of our management team, which team was completely re-organized during the year ended February 29th, 1968. Your company's directors were quite justified in commenting in particular on the excellent job done by your company's present management team.

SHAREHOLDERS:

During the year, we had several constructive suggestions and comments from our shareholders and we want to thank all of our shareholders for their support and expression of confidence, optimism and encouragement.

THE YEAR AHEAD:

The intrinsic strength of your company as to merchandising, coupled with the experience and "know how" of the production people, enabled your company in the year just ended to complete its best year in history. With this same courage and with all that we have learned and instituted in the past year, and with the help of our auditors, consultants and attorneys, we should certainly be able to meet the increasing challenge of an ever-changing economy. With the continued support of our shareholders, employees, customers, producers and suppliers, we know that the year ahead of us holds much promise.

For the year ended February 28th, 1969, we did budget for a net profit for the year of $183,889. Inasmuch as the net earnings totalled $192,392, we are nicely ahead of budget. For the year ahead of us, we have budgeted for sales of $15,000,000 and for a pre-tax profit of $800,000. These figures do not include the figures for the Arrco Saxon Companies. (As outlined above, the Arrco Saxon Companies do estimate earnings for the coming year at $400,000 pre-tax.)

To summarize, therefore, assuming the completion of the Arrco-Saxon Companies acquisition, our budgeted and estimated pre-tax profit for the coming year would be $1,200,000. Based on our experience for the past year, we have every reason to believe that these budgeted and estimated figures for the coming year are fair and conservative.

Effective in this year, we will now be reporting to our shareholders on a quarterly basis. Furthermore, and after each and every directors meeting, you will receive a News Release covering any and all decisions made by your directors. We feel that the Toronto Stock Exchange and the Ontario Securities Commission has been very wise in making this reporting a necessity for public companies.

On behalf of the Board of Directors

JOHN STUART
President

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 1969
(with comparative figures for 1968)

	1969	1968
Funds were provided by —		
Operations		
Net profit	$192,392	$126,472
Depreciation	74,124	82,558
Minority interest	1,337	1,568
	$267,853	$210,598
Employees' stock purchase plan		
Outright purchases	—	360
Contracts terminated	—	(7,195)
Principal payments on mortgages receivable	7,126	7,193
Sale of fixed assets	2,491	10,201
Receipt from supplier on cancellation of contract	25,000	—
	$302,470	$221,157
Funds were used for —		
Additional investment in subsidiaries	$ 3,716	$ 282
Purchase of fixed assets	59,848	11,490
Increase in cash surrender value of life insurance	7,131	7,044
Dividend paid by subsidiary to minority shareholders	—	1,610
Dividends paid by Stuart House International Limited to its shareholders	6,676	9,553
Income tax assessments re prior years	34,294	3,332
Purchase and cancellation of preferred shares	1,355	49,320
Principal payments on notes payable	9,984	8,114
Payments on special credit agreement	75,675	220,798
Settlement of supplier's claim	8,500	—
Increase (decrease) in working capital	95,291	(90,386)
	$302,470	$221,157

RESERVE FOR PURCHASE AND CANCELLATION OF PREFERRED SHARES

FOR THE YEAR ENDED FEBRUARY 28, 1969
(with comparative figures for 1968)

	1969	1968
Balance, beginning of year	$ 1,180	$ —
Transferred from earned surplus	175	50,500
	$ 1,355	$ 50,500
Transferred to capital surplus for purchase and cancellation of 220 Preferred Shares (6,690 — 1968)	1,355	49,320
Balance, end of year	$ —0—	$ 1,180

CAPITAL SURPLUS

FOR THE YEAR ENDED FEBRUARY 28, 1969
(with comparative figures for 1968)

	1969	1968
Balance, beginning of year	$ 53,520	$ —
Transfer from reserve for purchase and cancellation of Preferred Shares	1,355	49,320
Excess of original issue price over cost of purchase for cancellation of Preferred Shares (220 — 1969; 6,690 — 1968)	405	4,200
Balance, end of year	$ 55,280	$ 53,520

The attached notes form an integral part of these financial statements.

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CONSOLIDATED BALANCE S

FOR THE YEAR E
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ASSETS

	1969	1968
Current Assets		
Accounts receivable less allowance for doubtful accounts	$ 785,781	$ 660,336
Inventories of raw material, finished goods and supplies, at lower of cost and market — Note 2	1,956,583	1,740,789
Due from shareholder	—	134,000
Income taxes receivable	—	16,275
Prepaid expenses	74,137	51,515
Total Current Assets	$2,816,501	$2,602,915
Investments		
Cash surrender value of life insurance	$ 114,696	$ 107,565
Second mortgage, 6%, due 1974	43,150	50,276
Total Investments	$ 157,846	$ 157,841
Fixed Assets		
Land, buildings, machinery and equipment — at cost	$1,095,963	$1,044,444
Less: Accumulated depreciation	758,962	690,676
Net Fixed Assets	$ 337,001	$ 353,768
Other Assets		
Stock issue expense	$ 17,500	$ 17,500
Excess of cost of subsidiaries over net book value of their assets	268,997	275,706
Total Other Assets	$ 286,497	$ 293,206
Approved on behalf of the Board	$3,597,845	$3,407,730

JOHN L. STUART, Director

M. HARRIS, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of STUART HOUSE INTERNATIONAL LIMITED and its Subsidiary companies as at February 28, 1969 and the statements of consolidated profit and loss, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

NATIONAL LIMITED

Laws of Canada)

COMPANIES

T AS AT FEBRUARY 28, 1969

EBRUARY 28, 1969
ures for 1968)

LIABILITIES

	1969	1968
Current Liabilities		
Bank overdraft	$ 405,282	$ 393,859
Bank loans and acceptances payable	650,000	713,000
Accounts payable and accrued liabilities	660,464	593,400
Income taxes payable — Note 6	102,808	—
Note payable	4,456	4,456
Total Current Liabilities	$1,823,010	$1,704,715
Deferred Liabilities — Note 3		
Special credit agreement — secured	$ 595,708	$ 671,383
Long Term Liability		
Notes payable, due 1969	$ —	$ 9,984
Minority Interest in Subsidiaries	$ 42,177	$ 51,265
Shareholders' Equity		
Capital Stock — Note 4		
Authorized		
100,000 Preferred shares of $8.00 par value each issuable in series		
1,000,000 Common shares without par value		
Isued		
12,125 6% Cumulative redeemable convertible preferred shares Series A (14,635 in 1968)	$ 97,000	$ 117,080
588,550 Common shares (583,970 in 1968)	958,190	939,870
	$1,055,190	$1,056,950
Reserve for purchase and cancellation of preferred shares — Note 5	—	1,180
Capital surplus — Note 5	55,280	53,520
Earned surplus or (deficit)	26,480	(141,267)
Total Shareholders' Equity	$1,136,950	$ 970,383
	$3,597,845	$3,407,730

The attached notes form an integral part of these financial statements.

In our opinion these financial statements present fairly the financial position of the companies as at February 28, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally acepted accounting principles applied on a basis consistent with that of the preceding year.

Loftus A. Allen & Co

Chartered Accountants

Toronto, Ontario, April 15, 1969.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all the Subsidiaries, which are:

	Jurisdiction in which organized	Ownership of Voting Stock
Stuart House Products Limited	Ontario, Canada	100.0%
Stuart House Products Inc. (non-operating)	Florida, U.S.A.	100.0%
Tip-Top Canners, Limited	Ontario, Canada	96.5%
West, Taylor, Bickle & Company Limited	Ontario, Canada	100.0%
Bradford-Penn Oil Limited	Federal, Canada	100.0%
Belt Manufacturing Company of Canada Limited	Federal, Canada	100.0%

The consolidated earned surplus includes the net earnings to and subsequent to the actual acquisition date of Stuart House Products Limited and Stuart House Products Inc. which were acquired in 1960 in a pooling of interests. The earnings of Tip-Top Canners, Limited and West, Taylor, Bickle & Company Limited, both acquired in 1963, Bradford-Penn Oil Limited acquired in 1964 and Belt Manufacturing Company of Canada Limited acquired in 1965 are included in the consolidated earned surplus from the date of acquisition only.

2. INVENTORIES

In 1968, two of the subsidiary companies changed their method of determining the cost of finished goods inventory. The effect on the comparability of the results for 1968 and 1969 is insignificant.

3. DEFERRED LIABILITIES

Special Credit Agreement

A principal supplier of one of the subsidiaries has agreed to supply raw materials and grant special credit terms on a revolving and reducing basis until 1977 with interest payable at current bank rates. Up to and including January 31, 1969, the supplier has granted nine months' credit in excess of its normal trade terms on all purchases up to an aggregate of $675,000. Annually thereafter, the credit term will be reduced by one month and the maximum credit by $75,000.

The company has issued a debenture to secure the special credit agreement. Under the terms of this debenture the company has covenanted that it will not declare or pay any common dividends which

(a) would be in excess of sixty percent of the net income of the company after paying or providing for all taxes and dividends on its outstanding preferred shares, or

(b) would reduce the consolidated working capital of the company to an amount which is less than the amount from time to time owing under the special credit agreement.

In addition, there are restrictions on additional long-term leases, investments and the acquisition of fixed assets.

4. CAPITAL STOCK

The Preferred Shares Series A are redeemable at $8.48 per share, and may be purchased (if obtainable) at a price not exceeding $8.48 for cancellation, convertible prior to May 1, 1974 into Common Shares on the basis of 2 Common Shares for each Preferred Share Series A and non-voting except in certain circumstances. During the year 220 of these shares were purchased for cancellation thereby reducing the issued Preferred Shares. In addition, 2,290 Preferred Shares have been converted into 4,580 Common Shares. At February 28, 1969, 24,250 Common Shares were reserved for the conversion privileges attached to the Preferred Shares.

Under the terms of the Stock Option Plan, options have been granted to key employees of the company and its subsidiaries to purchase a total of 28,000 Common Shares. The right to exercise the options will accrue on various dates from 1967 to 1970 and terminate on July 31, 1970. Acordingly, 28,000 Common Shares have been reserved for the Stock Option Plan at February 28, 1969.

The company has established a Stock Purchase Plan for the purchase of Common Shares by the employees of the company and its subsidiaries. Pursuant to this plan, payment for the shares shall be made either in full or by equal monthly instalments over a three-year-period.

5. RESERVE AND CAPITAL SURPLUS

During 1968 and 1969, the sum of $50,675 was set aside by the Directors out of the ascertained net profits of the company for the purpose of purchase and cancellation of a maximum of 7,000 Preferred Shares. In 1969, 220 shares (6,690 shares in 1968) were purchased for $1,355 ($49,320 in 1968).

In accordance with Section 61 of the Canada Corporations Act, $50,675 has been transferred to Capital Surplus, augmented by $4,605 being the difference between the original issue price and the cost of the 6,910 Preferred Shares purchased and cancelled.

6. INCOME TAXES

As a result of fire loss recoveries in 1964 and claiming capital cost allowances in excess of depreciation recorded in the accounts in prior years, the amount of the undepreciated capital cost available for tax purposes was less than the net book value (cost less accumulated depreciation) of the fixed assets. Until 1968, no provision for deferred income taxes was necessary as this amount was more than offset by the potential future tax recoveries arising from the application of losses of prior years. At the end of 1968, the deferred potential tax recoveries exceeded the deferred tax liability by $20,000.

Only the taxes currently payable have been provided as this basis of accounting is considered appropriate for the company. If income taxes had been provided on the net profit (the tax allocation basis) as recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants, they would have exceeded the amounts provided by $45,000 in 1969 and $50,000 in 1968.

The cumulative effect of all timing differences at February 28, 1969 is a deferred tax liability of $25,000 which has not been recorded in the acounts.

7. CONTINGENT LIABILITIES, COMMITMENTS, ETC.

Long-term leases on properties leased by the company and its subsidiaries aggregate $122,909 per annum for various terms to 1992.

No provision has been made in the accounts of a subsidiary company for a legal suit instituted by a former employee for salary in the amount of $25,600. The Ontario Supreme Court and the Ontario Court of Appeal have ruled against the subsidiary. The subsidiary company has instructed counsel to lodge an appeal with the Supreme Court of Canada.

Subsequent to the year end, the Company entered into an agreement to purchase the Arrco Saxon group of companies for $2,560,000. Subject to the fulfillment of the conditions contained in the agreement, the closing date for the purchase will be on July 9, 1969.

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR THE YEAR ENDED FEBRUARY 28, 1969
(with comparative figures for 1968)

			1969	1968
Sales				
Warehouse sales			$ 8,029,519	$ 7,873,676
Commission sales			2,473,532	2,668,617
			$10,503,051	$10,542,293
Gross Margin on warehouse sales (after depreciation of $68,359 in 1969 and $71,568 in 1968)			$ 1,837,617	$ 1,675,228
Commission Income			167,881	155,866
			$ 2,005,498	$ 1,831,094
Selling and Administrative Expenses including the following:	1969	1968	1,710,119	1,695,441
Depreciation	$ 5,765	$ 10,992		
Executive salaries	115,654	82,341		
Legal	1,963	11,680		
Directors' fees	1,900	2,600		
	$125,282	$107,613		
			$ 295,379	$ 135,653
Income Taxes			101,650	7,613
			$ 193,729	$ 128,040
Minority Interest Share of the profits of subsidiary companies			1,337	1,568
Net Profit			$ 192,392	$ 126,472

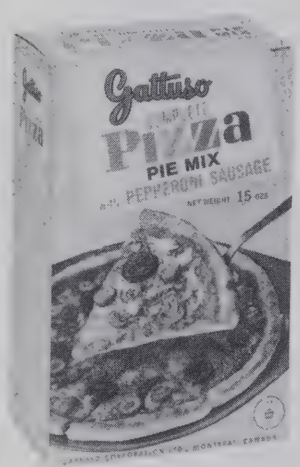
STATEMENT OF CONSOLIDATED EARNED SURPLUS

FOR THE YEAR ENDED FEBRUARY 28, 1969
(with comparative figures for 1968)

	1969	1968
Earned surplus or (deficit), beginning of year	$ (141,267)	$ (212,654)
Add —		
Net profit	$ 192,392	$ 126,472
Receipt from supplier on cancellation of contract	25,000	—
Reversal of deferred tax credit	—	8,300
	$ 217,392	$ 134,772
	$ 76,125	$ (77,882)
Less —		
Dividends paid — preferred	$ 6,676	$ 9,553
Adjustment of prior year's income taxes	34,294	3,332
Settlement of a supplier's claim	8,500	—
Transferred to reserve for purchase and cancellation of preferred shares	175	50,500
	$ 49,645	$ 63,385
Earned surplus or (deficit) end of year	$ 26,480	$ (141,267)

The attached notes form an integral part of these financial statements.

The company has become a leader in the field of household paper and plastic products. Pictured here are some of the packages which have put us in that position.



The company's newest client in its sales division is the Gattuso Corporation for whom we act as sales agents in Western Canada and the Maritimes.

YOUR COMPANY'S HISTORY

Stuart House International Limited was incorporated under the laws of Canada as a private company under the name John Stuart Sales Limited by letters patent dated August 7, 1946. By supplementary letters patent dated October 27, 1960 the company was converted from a private to a public company and its name was changed to STUART HOUSE INTERNATIONAL LIMITED.

The Company was incorporated for the purpose of acquiring the business then carried on by Mr. John Stuart, the President of the Company, under the name "John Stuart Sales". This business, which was started in 1936, acted as a sales agency for certain manufacturers for the distribution of their products. Sales efforts were originally confined to Western Canada. In 1941 the principal office of the business was moved to Toronto to service the Ontario market and a sales office was opened in Montreal to service the Quebec and Maritime markets. In 1953 the Company opened a sales

As a distributor, the company has become one of Canada's leaders in the confectionery field. Not only do we represent the famous products pictured alongside, but we are the exclusive Canadian sales agents for TOOTSIE ROLLS

At Tip Top Canners, we have tended to specialize in the canning and bottling of drinks and juices. Alongside are some of the products which Tip Top packs for the parent company.

office in Halifax to cover the Maritime market more effectively. The Company has continued and expanded the business originally acquired and now acts as a wholesale distributor for a number of nationally known lines of confections, snacks, dietetic foods and other food products and aluminum foil and other paper products. In most cases, the Company acts as a principal for the exclusive distribution in Canada of the products handled by it but in some cases it acts as a sales agent only on a commission basis.

In addition to the products of other manufacturers which are handled by the Company, the Company has developed a line of its own products which are marketed under the brand name "Stuart House". In 1953 the Company commenced the sale of aluminum foil wrap for household use which was produced for the Company by a private brand manufacturer. By 1957 sales of this product were large enough to warrant the Company setting up its own facilities for the packaging of this and a number of other products of a similar nature. A wholly-owned subsidiary, STUART HOUSE PRODUCTS LIMITED, now packages or produces for the Company and the Company markets under the "Stuart House" name aluminum foil wrap, aluminum burner savers for electric and gas ranges, aluminum baking cups, aluminum pie 'n' picnic plates, aluminum broiler trays, freezer paper, wax paper and shelf paper. In addition to the aluminum foil which it processes for the Company, Stuart House Products Limited also processes aluminum foil under contract for other companies. In 1960 the Company entered the instant food field and, through Stuart House Products Limited, began to produce chicken noodle soup mix which it markets under its brand name. In addition to this original product, the Company now produces and markets chicken rice soup mix, vegetable beef soup mix, beef and chicken gravy mixes, all of which are marketed under its brand name.

In 1963 the Company decided on a programme of expansion through acquisition. The Company was most interested in acquiring companies whose products it could sell through its well estblished sales force. In that year the Company's first acquisition was made when it purchased the controlling interest in TIP TOP CANNERS LIMITED. At its plant in Burlington, Ontario Tip Top packs a wide variety of juices, drinks and other products both for the Company, and on a private label basis for other Companies.

In September of 1963 the Company purchased all of the outstanding shares in WEST, TAYLOR, BICKLE & CO., LIMITED, Norwich, Ontario. This Company, which has been in operation since 1906, manufactures brooms, whisks, and mops.

Then in 1964 the Company acquired BRADFORD-PENN OIL LIMITED. This Company packs and distributes oils and anti-freeze under the Viceroy label.

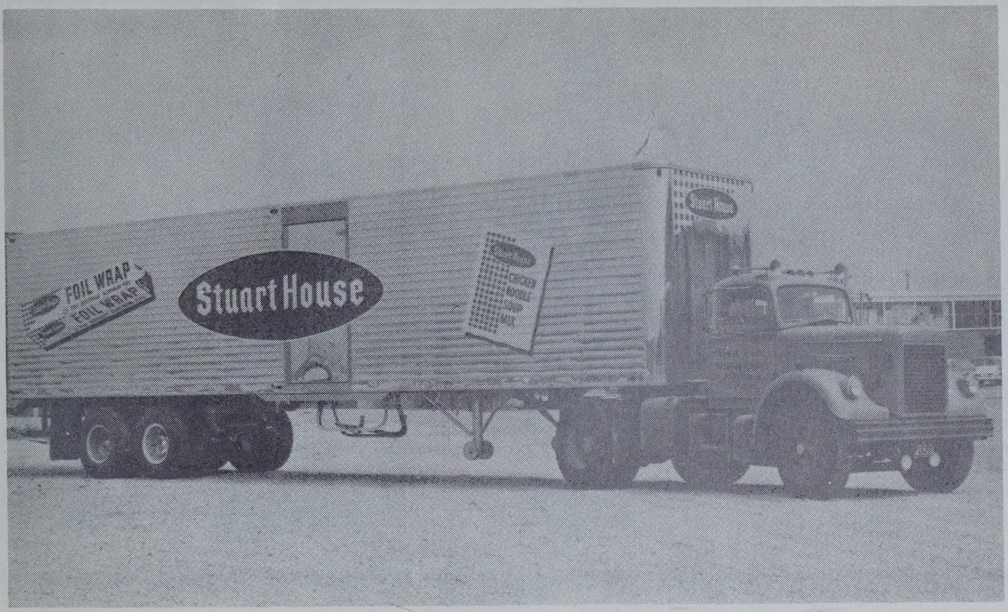
BELT MANUFACTURING COMPANY OF CANADA LIMITED, which was acquired in 1965, is one of the country's leading manufacturers of loose leaf binders, brief cases, and wallets. More recently this Company has moved into the gift field and distributes these on an exclusive basis in Canada.

Bradford-Penn Oil markets a wide range of oils and greases as well as being a leader in the automotive anti-freeze field. For the coming season, Bradford-Penn plans on introducing a Skimobile Oil as its newest product.

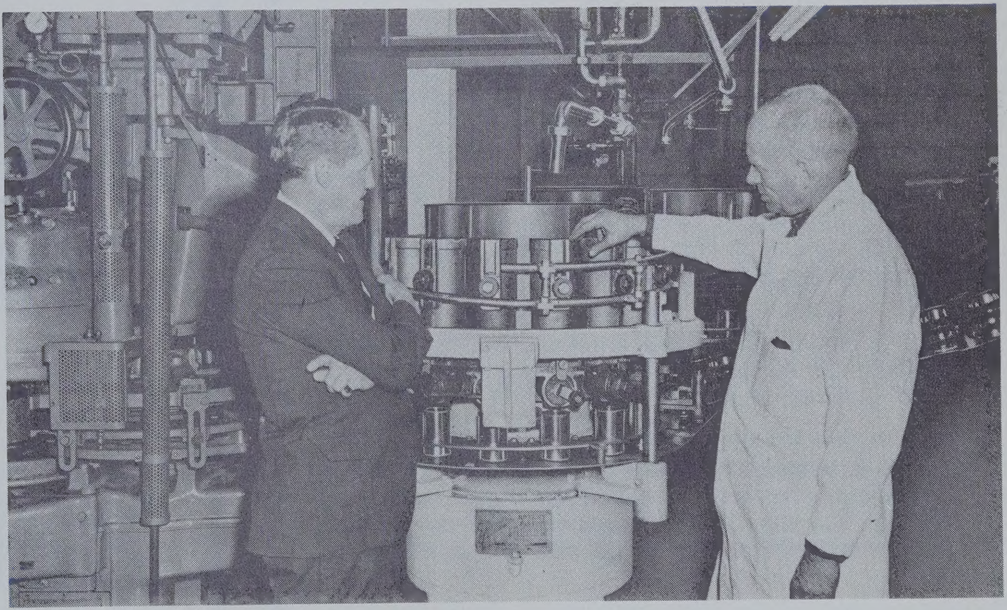
During the past year, the company introduced the new ANIMAL ROUND UP SOUP to its line of dried soup mixes. With its animal shaped noodles ,this product is designed to appeal to the children.

The company's new trade-mark logo, which is really appearing for the first time in public on this report, was conceived with the thought of retaining the recognition of the company's long established oval, while modernizing it with the smooth swirl of the symbolic S shape.

To its own manufactured line of wallets, ring binders, school bags and brief cases, Belt Manufacturing has added a range of fine imported giftware.



The Stuart House logo has become a familiar sight on the roads and highways of Ontario where its trucks operate between the company's distribution warehouse in Toronto and its subsidiary plants in Burlington and Norwich, Ontario.



The company's president, Mr. John Stuart, is shown here being brought up to date on the operation of one of the new high speed filling machines at Tip Top Canners Limited.

To any major distributor, warehouse space is a prime necessity and between the company and its subsidiaries we occupy over 120,000 square feet.